100TH CONGRESS
1ST SESSION

H. R. 2592

To amend title XVIII of the Social Security Act to provide for coverage of catastrophic expenses for prescription drugs and insulin under the medicare program.

IN THE HOUSE OF REPRESENTATIVES

JUNE 3, 1987

Mr. STARK introduced the following bill; which was referred jointly to the Committees on Ways and Means and Energy and Commerce

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A BILL

To amend title XVIII of the Social Security Act to provide for coverage of catastrophic expenses for prescription drugs and insulin under the medicare program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Medicare Catastrophic Prescription Drug Benefits Act of 1987".

SEC. 2. COVERAGE OF CATASTROPHIC EXPENSES FOR PRESCRIPTION DRUGS AND INSULIN UNDER PART B.

(a) IN GENERAL.—Section 1861 of the Social Security Act (42 U.S.C. 1395x) is amended—

(1) by amending subaragraph (J) of subsection (s)(2) to read as follows:

"(J) covered outpatient drugs (as defined in subsection (t)(2)); and", and

(2) in subsection (t)—

(A) by striking "subsection (m)(5)" and inserting "subsections (m)(5) and (s)(2)(J) and paragraph (2)",

(B) by inserting "(1)" after "(t)", and

(C) by adding at the end the following new paragraph:

"(2) The term 'covered outpatient drug' means—

"(A) a drug which—

"(i) is approved for safety and effectiveness as a prescription drug under section 505 or 507 of the Federal Food, Drug, and Cosmetic Act, or

"(ii) in the case of a drug which is biological product, is licensed under section 351 of the Public Health Service Act, and

"(B) insulin certified under section 506 of the Federal Food, Drug, and Cosmetic Act;

but does not include any drug or insulin provided to an inpatient as part of inpatient hospital services (described in subsection (b)(2)), as part of extended care services (described in subsection (h)(5)), or as an incident to physicians' services under subparagraph (A) or (B) of subsection (s)(2).".

(b) DEDUCTIBLE AND PAYMENT AMOUNTS.—

(1) IN GENERAL.—Section 1833 of such Act (42 U.S.C. 1395l(b)) is amended—

(A) in subsection (a)(1)—

(i) by striking "and" before "(H)", and

(ii) by adding at the end the following: "and (I) with respect to expenses incurred for covered outpatient drugs, the amounts paid shall be the amounts determined under subsection (m)(2),";

(B) in subsection (b)—

(i) in clause (1), by inserting "or for covered outpatient drugs" after "1861(s)(10)(A)", and

(ii) in clause (2), by inserting "or with respect to covered outpatient drugs" after "home health services"; and

(C) by adding at the end the following new subsection:

"(m)(1)(A) Before applying paragraph (2) with respect to expenses incurred by an individual for covered outpatient drugs dispensed in a calendar year, the individual must establish that the individual has incurred expenses for such drugs dispensed in the year (during a period in which the individual is entitled to benefits under this part) of the amount specified in subparagraph (C) for that year.

"(B) If an individual applies to the Secretary to establish that the individual has met the requirement of subparagraph (A), the Secretary shall promptly notify the individual (and, if the application was submitted by or through a participating pharmacy, the pharmacy) as to whether or not the individual has met such requirement.

"(C)(i) The amount specified in this subparagraph for 1989 is $500. For each subsequent year, the amount specified in this subparagraph is the amounts specified in this subparagraph for the previous year increased by percentage change in the index determined under clause (ii) in September of the previous year. Any amount determined under the preceding sentence which is not a multiple of $1 shall be rounded to the next highest multiple of $1.

"(ii) The Secretary shall establish by regulation an index which reflects the prices of covered outpatient drugs. The Secretary shall use, as a base point, the prices for the drugs as of August 1988. In September before each year

(beginning with 1990) the Secretary shall determine the value of the index for the previous month and the percentage change in the index between August 1988 and the previous month.

"(2) Subject to the deductible established under paragraph (1)(A), the amounts payable under this part with respect to a covered outpatient drug is equal—

"(A) the lesser of—

"(i) the actual charge for the drug, or

"(ii) the applicable payment limit described in paragraph (3); minus

"(B) 20 percent of the actual charge for the drug.

"(3)(A) In the case of a covered outpatient drug that either is not a multiple source drug (as defined in paragraph (6)(A)) or is a multiple source drug and has a restrictive prescription (as defined in paragraph (6)(B)), the payment limit for the drug under this paragraph is the sum of—

"(i) the product of (I) the number of tablets (or other dosage units) dispensed and (II) the average per tablet or unit wholesale price for the drug (as determined under paragraph (4)), and

"(ii) an administrative allowance in the amount determined under subparagraph (E).

"(B) In the case of a covered outpatient drug that is a multiple source drug but does not have a restrictive prescrip-

tion, the payment limit for the drug under this paragraph is the sum of—

"(i) the product of (I) the number of tablets (or other dosage units) dispensed and (II) the amount specified under subparagraph (C), and

"(ii) an administrative allowance in the amount determined under subparagraph (E).

"(C) The amount specified under this subparagraph with respect to a multiple source drug is the lower of—

"(i) 125 percent of the lowest of the average per tablet or unit wholesale price for any drug product described in paragraph (6)(A) with respect to that drug, or

"(ii) 100 percent of the highest of the average per tablet or unit wholesale price for any drug product described in paragraph (6)(A) with respect to that drug.

"(D) The Secretary, before each payment calculation period (as defined in paragraph (5)(C)), shall provide for the distribution to participating pharmacies (as defined in section 1842(i)) and to groups representing or assisting individuals entitled to benefits under this part, of information on the payment limits established under this paragraph.

"(E)(i) For drugs dispensed in 1989, the administrative allowance under this paragraph is $4.50. For drugs dispensed in a subsequent year, the administrative allowance under this

paragraph is $4.50 increased by the percentage change in the index determined under clause (ii) in September of the previous year. Any allowance determined under the preceding sentence which is not a multiple of 1 cent shall be rounded to the nearest multiple of 1 cent.

"(ii) The Secretary shall establish by regulation an index which reflects the costs of pharmacies dispensing covered outpatient drugs, taking into account changes in productivity. The Secretary shall use, as a base point, the costs of furnishing the drugs as of August 1988. In September before each year (beginning with 1990) the Secretary shall determine the value of the index for the previous month and the percentage change in the index between August 1988 and the previous month.

"(4) For purposes of this subsection, the Secretary shall determine, with respect to dispensing of each covered outpatient drug in each payment calculation period, the average per tablet or unit wholesale price for the drug. Such average shall be based on the average wholesale price (or when available, the manufacturer's direct price) for purchases in reasonable quantities. Such determination shall be made for each payment calculation period based on wholesale or direct prices for the first day of the third month before the beginning of the period. The Secretary shall make such determination, and calculate the payment limits under paragraph (3),

on a national basis; except that the Secretary may make such determination, and calculate such payment limits, on a regional basis to take account of limitations on the availability of drug products and variations among regions in the average wholesale or direct price for a drug product.

"(5) The Secretary shall establish a utilization review program for covered outpatient drugs to identify instances of unnecessary or inappropriate prescribing or dispensing practices and to identify quality of care problems.

"(6) In this subsection:

"(A) The term 'multiple source drug' means, with respect to a payment calculation period, a covered outpatient drug for which there are 2 or more drug products which—

"(i) are rated as therapeutically equivalent (based on the Food and Drug Administration's most recent publications, relating to approved drug products with therapeutic equivalence evaluations, available on the first day of the third month before the beginning of the period), and

"(ii) are sold or marketed during the period.

For purposes of clause (ii), a drug is considered to be sold or marketed during a period if it is listed in the publications referred to in clause (i) for the third month before the beginning of the period, unless the Secretary

determines that such sale or marketing is not actually taking place.

"(B) A drug has a 'restrictive prescription' only if the prescription for the drug indicates, in the handwriting of the physician or other person prescribing the drug and with an appropriate phrase (such as 'brand medically necessary') recognized by the Secretary, that the particular drug must be dispensed.

"(C) The term 'payment calculation period' means the 6-month period beginning with January of each year (after 1988) and the 6-month period beginning with July of each year (after 1988).".

(2) REPORT ON PAYMENT LIMITS.—The Secretary of Health and Human Services shall review the payment limits described in section 1833(m)(3) of the Social Security Act on covered outpatient drugs and shall report to Congress, by not later than April 1, 1989, on the appropriateness of such limits. The Secretary shall include in such report such recommendations for changes in such limits as may be appropriate.

(c) PARTICIPATING PHARMACIES.—Section 1842 of such Act (42 U.S.C. 1395t) is amended—

(1) in subclauses (III) and (IV) of subsection (c)(2)(B)(ii), by inserting "or by participating pharma-

cies'' after ''participating physicians'' each place it appears;

(2) in subsection (h)(1), by inserting before the period at the end of the second sentence the following: ''and, with respect to a supplier of covered outpatient drugs, is a participating pharmacy (as defined in subsection (i)(1))''; and

(3) by adding after subsection (h) the following new subsection:

''(i)(1) For purposes of this section, the term 'participating pharmacy' means an entity which is authorized under a State law to dispense covered outpatient drugs and which has entered into an agreement with the Secretary, providing at least the following:

''(A) The entity agrees—

''(i) not to refuse to dispense covered outpatient drugs items stocked by the entity to any individual entitled to benefits under this part (in this section referred to as 'medicare beneficiaries'), and

''(ii) not to charge medicare beneficiaries more for such drugs than the amount it charges to the general public.

''(B) The entity agrees to keep patient records (including records on expenses incurred by medicare

beneficiaries) for all covered outpatient drugs dispensed to all such beneficiaries.

"(C) The entity agrees—

"(i) to assist medicare beneficiaries in determining whether or not their expenses (for covered outpatient drugs dispensed in a year) have exceeded the deductible under section 1833(m)(1)(A), including providing the documentation necessary to establish this, and

"(ii) on behalf and on the request of such a beneficiary, to submit to the carrier such documentation as the Secretary requires.

"(D) The entity agrees, upon request of a medicare beneficiary, to provide a copy of the records maintained under subparagraph (B) to another participating pharmacy or to a carrier under this section.

"(E) The entity agrees—

"(i) to offer to counsel, or to offer to provide information to, each medicare beneficiary on the appropriate use of a drug to be dispensed and whether there are potential interactions between the drug and other drugs dispensed to the beneficiary; and

"(ii) to advise the beneficiary on the availability (consistent with State laws respecting sub-

stitution of drugs) of therapeutically equivalent covered outpatient drugs.

"(F) Effective January 1, 1991, the entity agrees to submit all requests for payment under this part to carriers electronically; except that this subparagraph shall not apply to an entity located in a rural area (as defined in section 1886(d)(2)(D)).

"(2) The Secretary shall provide to each participating pharmacy—

"(A) a distinctive emblem (suitable for display to the public) indicating that the pharmacy is a participating pharmacy, and

"(B) before the beginning of each payment calculation period, information on the payment limits established under paragraphs (3), (4), and (5) of section 1833(m).

"(3) The Secretary shall provide for periodic audits of participating pharmacies to assure that they do not impose charges in excess of the amounts permitted under paragraph (1)(A)(ii).

"(4) Notwithstanding subsection (b)(3)(B), payment for covered outpatient drugs may be made on the basis of an assignment described in clause (ii) of that subsection only to a participating pharmacy.".

(d) EXCLUSIONS.—Section 1862(c) of such Act (42 U.S.C. 1395y(c)) is amended—

(1) by redesignating subparagraphs (A) through (D) of paragraph (1) as clauses (i) through (iv), respectively;

(2) in paragraph (2)(A), by striking "paragraph (1)" and inserting "subparagraph (A)";

(3) by redesignating subparagraphs (A) and (B) of paragraph (2) as clauses (i) and (ii), respectively;

(4) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively;

(5) by inserting "(1)" after "(c)"; and

(6) by adding at the end the following new paragraphs:

"(2) No payment may be made under part B for any expense incurred for a covered outpatient drug if the drug is dispensed in a quantity exceeding a 60-day supply.

"(3)(A) The Secretary is authorized to establish by regulation a procedure whereby payment may not be made under part B for any expense incurred for a covered outpatient drug which is listed under subparagraph (B).

"(B) The Secretary may not list a particular covered outpatient drug under this subparagraph unless the Secretary has determined, after notice and opportunity for public comment and after consultation with the Commissioner of Food

and Drugs, the Director of the National Institutes of Health, and the appropriate medical experts, that—

"(i) there are one or more other covered outpatient drugs which have been approved by the Commissioner of Food and Drugs for the same indications and for which the payment amount under part B is less than the payment amount for the particular drug,

"(ii) the particular covered outpatient drug does not have any significant advantage in safety and effectiveness over such other drugs, and

"(iii) any relative advantages of the particular drug in ease of administration over such other drugs is not sufficient to justify the price differential for the drugs.".

(e) CONFORMING AMENDMENT.—The first sentence of section 1866(a)(2)(A) of such Act (42 U.S.C. 1395cc(a)(2)(A)) is amended—

(1) by inserting "1833(m)," after "1833(b)," and

(2) by inserting "and in the case of covered outpatient drugs, 20 percent of the actual charges for the drugs" after "established by the Secretary".

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to covered outpatient drugs dispensed on or after January 1, 1989.

SEC. 3. IMPOSITION OF SUPPLEMENTAL MEDICARE PREMIUM.

(a) GENERAL RULE.—Subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to determination of tax liability) is amended by adding at the end thereof the following new part:

"PART VIII—SUPPLEMENTAL MEDICARE PREMIUM

"Sec. 59B. Imposition of supplemental medicare premium.

"SEC. 59B. IMPOSITION OF SUPPLEMENTAL MEDICARE PREMIUM.

"(a) IMPOSITION OF PREMIUM.—In the case of a medicare-eligible individual, there is hereby imposed (in addition to any other amount imposed by this subtitle) for each taxable year a premium equal to the annual premium for such year determined under subsection (b).

"(b) DETERMINATION OF AMOUNT.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this subsection—

"If the adjusted gross income for the taxable year is:		The annual premium for the taxable year is the paragraph (4) percentage of:
Over:	But not over:	
$ 0	$ 6,000	$ 0
6,000	6,143	10
6,143	6,287	20
6,287	6,430	30
6,430	6,573	40
6,573	6,716	50
6,716	6,860	60
6,860	7,003	70
7,003	7,146	80
7,146	7,289	90
7,289	7,433	100
7,433	7,576	110

"If the adjusted gross income for the taxable year is:		The annual premium for the taxable year is the paragraph (4) percentage of:
Over:	But not over:	
7,576	7,719	120
7,719	7,862	130
7,862	8,006	140
8,006	8,149	150
8,149	8,292	160
8,292	8,436	170
8,436	8,579	180
8,579	8,722	190
8,722	8,865	200
8,865	9,009	210
9,009	9,152	220
9,152	9,295	230
9,295	9,438	240
9,438	9,582	250
9,582	9,725	260
9,725	9,868	270
9,868	10,011	280
10,011	10,155	290
10,155	10,298	300
10,298	10,441	310
10,441	10,585	320
10,585	10,728	330
10,728	10,871	340
10,871	11,014	350
11,014	11,158	360
11,158	11,301	370
11,301	11,444	380
11,444	11,587	390
11,587	11,731	400
11,731	11,874	410
11,874	12,017	420
12,017	12,160	430
12,160	12,304	440
12,304	12,447	450
12,447	12,590	460
12,590	12,734	470
12,734	12,877	480
12,877	13,020	490
13,020	13,163	500
13,163	13,307	510
13,307	13,450	520
13,450	13,593	530
13,593	13,736	540
13,736	13,880	550
13,880	14,023	560
14,023	14,166	570
14,166		580.

"(2) SPECIAL RULE WHERE INDIVIDUAL NOT ELIGIBLE FOR ENTIRE TAXABLE YEAR; SHORT TAXABLE YEARS.—If an individual is not a medicare-eligible individual for each month during his taxable year, the annual premium determined under this subsection shall be an amount which bears the same ratio to the amount determined under paragraph (1) as—

"(A) the number of months during the taxable year for which such individual is a medicare-eligible individual, bears to

"(B) 12.

A similar rule shall apply in the case of a taxable year of less than 12 months; except that adjusted gross income for the taxable year shall be annualized.

"(3) SPECIAL RULE FOR JOINT RETURNS.—In the case of a joint return—

"(A) this section shall be applied separately with respect to each spouse, and

"(B) the adjusted gross income of each spouse shall be ½ of their combined adjusted gross income.

"(4) ADJUSTMENT TABLE.—

"(A) PARAGRAPH (4) PERCENTAGE DEFINED.—As used in the third column contained in the table in paragraph (1), the term 'paragraph (4)

percentage' means, with respect to taxable years beginning in—

"(i) 1989, 12 percent; or

"(ii) a subsequent year, 12 percent multiplied by the ratio of (I) the monthly actuarial rate determined under section 1839(g)(1)(B) in the previous year, to (II) $1.20.

"(B) ANNUAL ADJUSTMENT OF INCOME FIGURES.—Not later than December 15 of 1988 and each subsequent calendar year, the Secretary shall increase each of the dollar amounts specified in the first 2 columns of the table contained in paragraph (1) by the cost-of-living adjustment for the succeeding calendar year (as defined in section 1(f)(3)). Such increase shall apply with respect to taxable years beginning in the succeeding calendar year.

"(C) ROUNDING.—If any premium determined under this subsection is not a multiple of $1, the premium shall be rounded to the nearest multiple of $1.

"(c) DEFINITIONS AND SPECIAL RULES.—

"(1) MEDICARE-ELIGIBLE INDIVIDUAL.—For purposes of this section—

"(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'medicare-eligible individual' means, with respect to any month, any individual who is entitled to (or, on application without the payment of an additional premium, would be entitled to) benefits under part A of title XVIII of the Social Security Act for such month.

"(B) EXCEPTIONS.—The term 'medicare-eligible individual' shall not include for any month—

"(i) any individual who is entitled to benefits under part A of title XVIII of the Social Security Act for such month solely by reason of the payment of a premium under section 1818 of such Act,

"(ii) any individual who is required to pay a premium for such month increased or computed under paragraph (4) or (5) of section 1839(e) of the Social Security Act, or

"(iii) any qualified nonresident.

"(C) TREATMENT OF INDIVIDUALS WHO HAVE ATTAINED AGE 65.—An individual (other than a nonresident alien) who has attained age 65 shall be treated as a medicare-eligible individual for the month in which he attains age 65 and any

subsequent month unless such individual establishes to the satisfaction of the Secretary that he is not a medicare-eligible individual for the month concerned.

"(2) QUALIFIED NONRESIDENT.—

"(A) IN GENERAL.—For purposes of paragraph (1), the term 'qualified nonresident' means, with respect to any month during the taxable year, any individual if—

"(i) such individual is not furnished during such taxable year or any of the 4 preceding taxable years any service for which a claim for payment is or will be made under part A of title XVIII of the Social Security Act,

"(ii) such individual is not entitled to benefits under part B of title XVIII of the Social Security Act at any time during such taxable year or any of the 4 preceding taxable years, and

"(iii) such individual is present in a foreign country or countries for at least 330 full days during—

"(I) the 12-month period ending at the close of the taxable year, and

"(II) each of the 4 consecutive preceding 12-month periods.

"(B) SPECIAL RULE FOR INDIVIDUALS WHO DIE DURING THE TAXABLE YEAR.—An individual who dies during the taxable year shall be treated as meeting the requirement of subparagraph (A)(iii)(I) if such individual is present in a foreign country or countries for at least a number of full days equal to 90 percent of the days during such taxable year before the date of death.

"(3) COORDINATION WITH OTHER PROVISIONS.—

"(A) NOT TREATED AS MEDICAL EXPENSE.—The premium imposed by this section shall not be treated as an expense paid for medical care for purposes of section 213.

"(B) NOT TREATED AS TAX FOR CERTAIN PURPOSES.—The premium imposed by this section shall not be treated as a tax imposed by this chapter for purposes of determining—

"(i) the amount of any credit allowable under this chapter, or

"(ii) the amount of the minimum tax imposed by section 55.

"(C) TREATED AS TAX FOR SUBTITLE F.—For purposes of subtitle F, the premium imposed by this section shall be treated as if it were a tax imposed by section 1.

"(D) SECTION 15 NOT TO APPLY.—Section 15 shall not apply to the premium imposed by this section."

(b) REPORTING REQUIREMENT.—Subpart B of part III of subchapter A of chapter 61 of such Code is amended by adding at the end thereof the following new section:

"SEC. 6050O. RETURNS RELATING TO INDIVIDUALS ENTITLED TO RECEIVE BENEFITS UNDER MEDICARE PART A.

"The Secretary of Health and Human Services shall make a return (at such times and in such form as the Secretary may prescribe) setting forth the name, address, and TIN of each individual who is entitled to receive benefits (other than by reason of the payment of a premium referred to in clause (i) or (ii) of section 59B(c)(1)(B)) under part A of title XVIII of the Social Security Act for any month during the calendar year and the number of months in the calendar year for which the individual is so entitled."

(c) CLERICAL AMENDMENTS.—

(1) The table of parts for subchapter A of chapter 1 of such Code is amended by adding at the end thereof the following new item:

"Part VIII. Supplemental medicare premium."

(2) The table of sections for subpart B of part III of subchapter A of chapter 61 of such Code is amended by adding at the end thereof the following new item:

"Sec. 6050O. Returns relating to individuals entitled to receive benefits under Medicare part A."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1988.

SEC. 4. ADJUSTMENT IN MEDICARE PART B PREMIUMS.

(a) COMPUTATION OF COST.—Subsection (a) of section 1839 of the Social Security Act (42 U.S.C. 1395r) is amended—

(1) in the second sentence of paragraph (1), by inserting "(other than costs relating to covered outpatient drugs)" before the period;

(2) in paragraph (2), by striking "and (e)" and inserting ", (e), and (g)";

(3) in paragraph (3), by striking "subsection (e)" and inserting "subsections (e) and (g)"; and

(4) in the second sentence of paragraph (4), by inserting "(other than costs relating to covered outpatient drugs))" before the period.

(b) ADDITIONAL PREMIUM.—Such section is further amended by adding at the end the following new subsection:

"(g)(1)(A) For purposes of this subsection, the monthly actuarial rate determined according to this paragraph for 1989 is $1.20.

"(B) The Secretary shall, during September of 1989 and of each year thereafter, determine a monthly actuarial rate for covered outpatient drugs which shall be applicable for the succeeding calendar year. Such actuarial rate shall be the amount the Secretary estimates to be necessary so that the aggregate amount for such calendar year with respect to enrollees will equal 50 percent of the total of the benefits and administrative costs which he estimates will be payable from the Federal Supplementary Medical Insurance Trust Fund for covered outpatient drugs dispensed and related administrative costs incurred in such calendar year with respect to such enrollees.

"(2) The monthly premium of each individual enrolled under this part for each month in a year after December 1988 shall be increased by the following:

"(A) Except as provided in subparagraphs (B) and (C), the monthly actuarial rate determined according to paragraph (1) for that year.

"(B) In the case of an individual who is a resident of Puerto Rico, the Virgin Islands, Guam, American

Samoa, or the Northern Mariana Islands during the month, the product of—

"(i) twice the monthly actuarial rate determined according to paragraph (1) for that year, and

"(ii) the ratio (determined by the Secretary for that commonwealth or territory during September 1987) of—

"(I) the per capita actuarial value of the benefits under this title for residents of that commonwealth or territory who are entitled to benefits under both part A and this part, to

"(II) the per capita actuarial value of the benefits under this title for residents of the United States who are entitled to benefits under both part A and this part.

"(C) In the case of an individual who is not described in subparagraph (B) and who is not entitled to (or, on application without payment of an additional premium, would not be entitled to) benefits under part A for the month, twice the monthly actuarial rate determined according to paragraph (1) for that year.

However, if an increase determined under this paragraph is not a multiple of 10 cents, it shall be rounded to the nearest multiple of 10 cents.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 1839(b) of such Act (42 U.S.C. 1395r(b)) is amended by striking ''determined under subsection (a) or (e)'' and inserting ''otherwise determined under this section (without regard to subsection (f))''.

(2) Section 1844(a) of such Act (42 U.S.C. 1395w(a)(1)) is amended by adding at the end the following:

''In computing the amount of aggregate premiums and premiums per enrollee under paragraph (1), there shall not be taken into account premiums attributable to section 1839(g).''.

SEC. 5. USE OF CARRIERS IN ADMINISTRATION.

(a) ADDITIONAL FUNCTIONS OF CARRIERS.—Section 1842(b)(3) of the Social Security Act (42 U.S.C. 1395u(b)(3)) is amended—

(1) by striking ''and'' at the end of subparagraph (H),

(2) by adding ''and'' at the end of subparagraph (I), and

(3) by inserting after subparagraph (I) the following new subparagraph:

"(J) if it makes determinations or payments with respect to covered outpatient drugs, will—

"(i) offer to receive requests for payments for such drugs through electronic communciations, and

"(ii) respond to requests by participating pharmacies as to whether or not an individual has met the deductible requirement of section 1833(m)(1)(A) for a year;".

(b) USE OF REGIONAL CARRIERS.—Section 1842(b)(2) of such Act is amended by adding at the end the following new sentence: "With respect to carrying out functions relating to payment for the Secretary may enter into contracts with carriers under this section to perform such functions on a regional basis.".

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 6. MODIFICATION OF HMO/CMP RISK-SHARING CONTRACTS.

(a) COUNTING OF EXPENSES BEFORE ENROLLMENT.—Section 1876(c) of such Act (42 U.S.C. 1395mm(c))

is amended by adding at the end the following new paragraph:

"(7) In the case of an individual who enrolls as a member of an eligible organization under this section after January 1 of a year, the organization must take into account, in computing the expenses incurred for covered outpatient drugs for purposes of meeting the deductible under section 1833(m)(1)(A) for the year, expenses incurred for covered outpatient drugs during the year while the individual was entitled to benefits under part B but before the individual so enrolled.".

(b) ADJUSTMENT OF AAPCC AND CONTRACTS.—The Secretary of Health and Human Services shall—

(1) in estimating the adjusted average per capita cost under section 1876(a) of the Social Security Act for portions of contract years occurring after December 31, 1988, take into account the amendments made by this Act, and

(2) require eligible organizations with risk-sharing contracts under such section to make appropriate adjustments in the terms of their agreements with medicare beneficiaries to take into account such amendments.

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to enrollments effected on or after January 1, 1989.

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